

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	550.10	13.00	2.00	565.10	13.00	2.00	565.10	565.10
Personal Services	18,747,770	2,596,573	72,153	21,416,496	2,718,041	72,403	21,538,214	42,954,710
Operating Expenses	10,571,955	(372,567)	133,416	10,332,804	(386,922)	133,318	10,318,351	20,651,155
Equipment	348,126	(111,379)	0	236,747	(111,379)	0	236,747	473,494
Capital Outlay	162,470	(162,470)	0	0	(162,470)	0	0	0
Grants	15,869,491	2,747,303	150,000	18,766,794	2,747,303	150,000	18,766,794	37,533,588
Benefits & Claims	378,087	0	0	378,087	0	0	378,087	756,174
Transfers	0	111,338	0	111,338	111,436	0	111,436	222,774
Debt Service	86,895	(83,785)	0	3,110	(83,785)	0	3,110	6,220
<b>Total Costs</b>	<b>\$46,164,794</b>	<b>\$4,725,013</b>	<b>\$355,569</b>	<b>\$51,245,376</b>	<b>\$4,832,224</b>	<b>\$355,721</b>	<b>\$51,352,739</b>	<b>\$102,598,115</b>
General Fund	1,510,870	361,998	275,569	2,148,437	365,593	275,721	2,152,184	4,300,621
State/Other Special	13,001,709	971,806	80,000	14,053,515	974,582	80,000	14,056,291	28,109,806
Federal Special	31,604,562	3,378,856	0	34,983,418	3,479,414	0	35,083,976	70,067,394
Proprietary	47,653	12,353	0	60,006	12,635	0	60,288	120,294
<b>Total Funds</b>	<b>\$46,164,794</b>	<b>\$4,725,013</b>	<b>\$355,569</b>	<b>\$51,245,376</b>	<b>\$4,832,224</b>	<b>\$355,721</b>	<b>\$51,352,739</b>	<b>\$102,598,115</b>

### Agency Description

The Department of Labor and Industry has a number of functions. In part, the department:

- 1) oversees and regulates the Montana Workers' Compensation system;
- 2) enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws;
- 3) provides adjudicative services in labor-management disputes;
- 4) collects and disburses state unemployment trust funds;
- 5) serves as an employment agency and provides job training to assist individuals in preparing for and finding jobs;
- 6) assists employers in finding workers;
- 7) oversees federal and state training and apprenticeship programs; and
- 8) conducts research and collects employment statistics. The department, through Montana Community Services, administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs.

Structurally, the department is divided into six divisions: Job Service, Unemployment Insurance, Commissioner's Office/Centralized Services, Employment Relations (including the Human Rights Commission), Montana Community Services, and Workers' Compensation Court (administratively attached).

### Agency Discussion

The Department of Labor and Industry is funded with a mixture of general fund, state and federal special revenue, and proprietary funds. The 2003 biennium budget request sees most programs continuing current operations and presents issues the legislature has seen in previous biennia. The Welfare-to-Work federal program funding in the Job Service Division ceases in fiscal 2001 and will not continue into the next biennium. Other major proposals and significant changes addressed in the 2003 biennium request include:

- ?? Transitioning from the Job Training Partnership Act to Workforce Investment Act funding within the Job Services Division;
- ?? Establishing permanent general fund support for the Jobs for Montana's Graduates Program within the Job Services Division;
- ?? Establishing the final modified position within the Human Rights Bureau as permanent;
- ?? Increasing general fund support to the Montana Community Services Division.

More information on these proposals can be found in the appropriate program narratives.

**Agency Issues**

During the 1999 session, the legislature addressed shortfalls in two major accounts: the Workers' Compensation Regulation account, and the Employment Security Account (ESA).

The Workers' Compensation Regulation account projected a shortfall of greater than \$2 million by the end of the 2001 biennium. Action taken by the legislature to prevent the shortfall included raising the fixed assessment fee from 2.6 percent to 3.0 percent of the compensation and medical benefits paid.

The ESA projected a shortfall greater than \$1 million by the end of the 2001 biennium. Action taken by the legislature to remedy the projected deficit included reallocating tax rates and revenue collected to fund the ESA. HB 282 raised the 0.10 percent Administrative Fund tax for qualifying employers, based on employees' taxable wages, to 0.13 percent. The changes effected by the legislature eliminated the need to cut services and personnel funding, or supplement programs with general fund, as proposed by the executive.

At the end of fiscal 2000, the Worker's Compensation Regulation account balance was \$4.7 million. The projected ending balance for the 2003 biennium is \$6.0 million. It should be noted the agency is requesting legislation to change collection-recording procedures. If passed, this legislation would move the recording of collections from the end of the fiscal year to the beginning of the following fiscal year. Subsequently this would move over \$4.5 million in revenue ahead into each fiscal year, for an overall net change of zero, except in the year of enactment. In that fiscal year, over \$4.5 million in revenue would be moved into the next fiscal year, resulting in a fiscal 2003 ending balance of \$1.5 million.

At the end of fiscal 2000, the ESA balance was \$384,353. The projected ending balance for the 2003 biennium is \$2.1 million.

**LFD  
ISSUE**

The rate changes took effect July 1, 1999. Therefore the 2003 biennium projections contain one year of actual costs and three years of projections. The ESA fund status appears to be healthy, with a balance that is projected to increase by over \$700,000 each year during the 2003 biennium. Likewise, the Workers' Compensation Regulation Account fund status also appears to be healthy, with a balance that is projected to increase by over \$400,000 each year during the 2003 biennium.

In light of the projected fund status over the biennium, the legislature may wish to require the department to report on the status of the ESA and Workers' Compensation Regulation Account to the 2003 legislature.

**Supplemental Appropriation Description**

A request of a \$10,360 supplemental appropriation of federal special revenue authority is proposed for the Montana Community Services Division.

Subject to the wishes of the Governor, there exists in fiscal 2001, the potential for a change in the Montana Community Services Director. It is likely that these costs will be amended during the course of deliberations on the regular supplemental appropriations bill.

**LFD  
ISSUE**

The legislature should consider this supplemental appropriation proposal in light of three issues:

- 1) The director of the Montana Community Services Division is not an elected position, and therefore will have no personal staff replacements should the director's position see a change in personnel;
- 2) The expenditures should have been anticipated and accommodated within the department's budget to avoid a supplemental appropriation;
- 3) An expenditure of this size represents 0.5 percent of the Montana Community Services Division's overall federal budget and 7.6 percent of the division's federal administrative grant budget for fiscal 2000. Depending on the amount eventually requested, the legislature may wish to consider requiring the department to absorb the cost.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	Present Law Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Biennium Fiscal 00-01	Total Exec. Budget Fiscal 02-03
FTE	563.10	2.00	565.10	563.10	2.00	565.10	0.00	565.10
Personal Services	21,344,343	72,153	21,416,496	21,465,811	72,403	21,538,214	39,558,435	42,954,710
Operating Expenses	10,199,388	133,416	10,332,804	10,185,033	133,318	10,318,351	19,669,324	20,651,155
Equipment	236,747	0	236,747	236,747	0	236,747	534,880	473,494
Capital Outlay	0	0	0	0	0	0	270,385	0
Grants	18,616,794	150,000	18,766,794	18,616,794	150,000	18,766,794	32,339,726	37,533,588
Benefits & Claims	378,087	0	378,087	378,087	0	378,087	872,988	756,174
Transfers	111,338	0	111,338	111,436	0	111,436	431,805	222,774
Debt Service	3,110	0	3,110	3,110	0	3,110	448,393	6,220
<b>Total Costs</b>	<b>\$50,889,807</b>	<b>\$355,569</b>	<b>\$51,245,376</b>	<b>\$50,997,018</b>	<b>\$355,721</b>	<b>\$51,352,739</b>	<b>\$94,125,936</b>	<b>\$102,598,115</b>
General Fund	1,872,868	275,569	2,148,437	1,876,463	275,721	2,152,184	3,042,147	4,300,621
State/Other Special	13,973,515	80,000	14,053,515	13,976,291	80,000	14,056,291	28,021,792	28,109,806
Federal Special	34,983,418	0	34,983,418	35,083,976	0	35,083,976	62,966,526	70,067,394
Proprietary	60,006	0	60,006	60,288	0	60,288	95,471	120,294
<b>Total Funds</b>	<b>\$50,889,807</b>	<b>\$355,569</b>	<b>\$51,245,376</b>	<b>\$50,997,018</b>	<b>\$355,721</b>	<b>\$51,352,739</b>	<b>\$94,125,936</b>	<b>\$102,598,115</b>

**New Proposals**

The table below summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Jobs for Montana Graduates Funding										
01	1.00	275,569	0	0	275,569	1.00	275,721	0	0	275,721
DP 7 - R&A Career Conference										
01	1.00	0	80,000	0	80,000	1.00	0	80,000	0	80,000
<b>Total</b>	<b>2.00</b>	<b>\$275,569</b>	<b>\$80,000</b>	<b>\$0</b>	<b>\$355,569</b>	<b>2.00</b>	<b>\$275,721</b>	<b>\$80,000</b>	<b>\$0</b>	<b>\$355,721</b>

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	299.35	2.00	2.00	303.35	2.00	2.00	303.35	303.35
Personal Services	9,807,192	1,211,878	72,153	11,091,223	1,273,988	72,403	11,153,583	22,244,806
Operating Expenses	5,707,403	(962,761)	133,416	4,878,058	(1,036,187)	133,318	4,804,534	9,682,592
Equipment	281,455	(134,744)	0	146,711	(134,744)	0	146,711	293,422
Capital Outlay	162,470	(162,470)	0	0	(162,470)	0	0	0
Grants	14,317,296	1,628,303	150,000	16,095,599	1,628,303	150,000	16,095,599	32,191,198
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	111,338	0	111,338	111,436	0	111,436	222,774
Debt Service	83,785	(83,785)	0	0	(83,785)	0	0	0
<b>Total Costs</b>	<b>\$30,359,601</b>	<b>\$1,607,759</b>	<b>\$355,569</b>	<b>\$32,322,929</b>	<b>\$1,596,541</b>	<b>\$355,721</b>	<b>\$32,311,863</b>	<b>\$64,634,792</b>
General Fund	595,109	85,899	275,569	956,577	87,323	275,721	958,153	1,914,730
State/Other Special	6,046,489	765,940	80,000	6,892,429	742,819	80,000	6,869,308	13,761,737
Federal Special	23,710,321	756,770	0	24,467,091	767,249	0	24,477,570	48,944,661
Proprietary	7,682	(850)	0	6,832	(850)	0	6,832	13,664
<b>Total Funds</b>	<b>\$30,359,601</b>	<b>\$1,607,759</b>	<b>\$355,569</b>	<b>\$32,322,929</b>	<b>\$1,596,541</b>	<b>\$355,721</b>	<b>\$32,311,863</b>	<b>\$64,634,792</b>

### Program Description

The Job Service Division (JSD) operates through five bureaus. The Field Operations Bureau functions through a network of 23 job service centers. The division is a gateway to government services in the area of employment and training services. JSD performs services that include retraining and reemployment services for laid-off workers and employment and training services for people transitioning from welfare-to-work, as well as for youth, veterans, seasonal/migrant farm workers, and general job seekers. Other bureaus include the Electronic Labor Exchange Bureau, Workforce Development Bureau, Program Management Bureau, and the Research and Analysis Bureau.

### Program Narrative

The Job Training Partnership Act (JTPA), which provided funding for many programs within this division, ended on June 30, 2000 and was replaced by the Workforce Investment Act (WIA). The Workforce Investment Act changed the focus to meeting the needs of businesses for skilled workers and providing for the training, education, and employment needs of individuals. The Workforce Investment Act mandates stringent agency accountability, and requires the tracking of 17 core performance measures. The new system is based on the "one-stop" concept, where information about and access to a wide array of job training, education, and employment services is available for customers at a single neighborhood location. The system uses Individual Training Accounts to allow adult users to make individual choices, and it empowers those users to "purchase" their training through the use of the accounts. The "one-stop" locations will have the responsibility of providing information on training services and providers; customers will have the responsibility of choosing which service and providers best meet their needs. The Workforce Investment Act authorizes 'core' services available to all adults. There are no eligibility requirements, and 'intensive' services are provided for unemployed individuals who are not able to find jobs through core services alone. The system's customer base includes adults, dislocated workers, and youth. Although many of the services provided are the same for each group, each group of customers has its own funding stream, thus helping to ensure an equity of services across the customer base.

Funding formulas remain basically the same, with funding determined by the state's ranking within several economic categories. These categories include the number of unemployed, the unemployment rate, and the number of residents considered economically disadvantaged. Decreases in Montana's standing have resulted in a higher federal funding level, most of which is passed to the local Job Service Centers through local Workforce Investment Boards. DP 1 requests the additional authority necessary to expend these funds.

**LFD  
COMMENT**

The Workforce Investment Act changes Montana's approach to serving its customers. The legislature may wish to have the department report to the legislature on the state's performance in the 17 core performance measures, to aid the legislature in assessing the agency's performance in helping unemployed Montanans access appropriate training and find employment.

**Funding**

Job Service Division operations for the biennium are funded with general fund, state special revenue, federal funds, and proprietary funds from rent recharges and special projects. General fund supports the Jobs for Montana Graduates, Displaced Homemaker, and Apprenticeship and Training programs. State special revenue includes \$9.3 million in Employment Security Account funds and \$4.1 million in Montana Job Training Partnership subgrants and contracts. Federal funding includes \$22.2 million in Workforce Investment Act funds, \$14.6 million in federal Labor and Industry funds (including Wegner-Peyser funds), and \$4.4 million in employment training grants. Table 1 lists the major funding sources and the programs funded by each account.

Table 1  
Job Service Division  
Main Funding Sources and Programs

Fund	Description	2002-2003 Request	Main Programs Funded
01100	General Fund	\$1,914,730	Jobs for MT Graduates, Displaced Homemaker Program, and Apprenticeship and Training
02258	Employment Security Account	9,266,155	Administrative, Operations
02288	MJTP Subgrants/Contracts	4,105,768	WIA Programs
03124	Employment Training Grants	4,402,632	School to Work, Dislocated Worker Training/Education, Research and Analysis
03126	Workforce Investment Act	26,228,400	Workforce Investment Act Programs/Grants, Displaced Worker Training/Education, Administration/Program Management
03128	L&I Federal Funding	14,617,503	Research and Analysis, Training grants, Trade Assistance Act grants
03194	Research/Analysis/SOICC	1,891,126	Research and Analysis

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					1,433,924					1,497,654
Vacancy Savings					(304,949)					(306,860)
Inflation/Deflation					(38,473)					(34,597)
Fixed Costs					216,363					142,597
<b>Total Statewide Present Law Adjustments</b>					<b>\$1,306,865</b>					<b>\$1,298,794</b>
DP 1 - WIA Funding & CAP Increase	0.00	16,593	7,748	1,427,924	1,452,265	0.00	16,717	7,806	1,428,014	1,452,537
DP 3 - Lease Vehicles	0.00	0	0	8,994	8,994	0.00	0	0	20,752	20,752
DP 5 - R&A FTE & Operating Increase	2.00	0	6,000	178,403	184,403	2.00	0	6,000	180,864	186,864
DP 6 - Federal Funding Change and CAP Increase	0.00	0	40,000	(1,384,768)	(1,344,768)	0.00	0	40,000	(1,402,406)	(1,362,406)
<b>Total Other Present Law Adjustments</b>	<b>2.00</b>	<b>\$16,593</b>	<b>\$53,748</b>	<b>\$230,553</b>	<b>\$300,894</b>	<b>2.00</b>	<b>\$16,717</b>	<b>\$53,806</b>	<b>\$227,224</b>	<b>\$297,747</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$1,607,759</b>					<b>\$1,596,541</b>

### Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 – Workforce Investment Act Funding & Cost Allocation Plan Increase - The Executive Budget includes requests for additional authority to accommodate increased federal funding as the Workforce Investment Act is implemented. The increased funding will be passed to the local job service centers to directly enhance/increase services for all customers. This request also includes increases for the department's cost allocation plan.

#### LFD COMMENT

For more information regarding the indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office/Centralized Services Division.

#### LFD COMMENT

This proposal includes a reduction to close out federal Welfare-to-Work funding. The Welfare-to-Work Program started on July 1, 1998. Congress providing funding for two federal fiscal years, and gave states three years to spend the funds. Final allocations of Montana's Welfare-to-Work funding will be closed out in fiscal 2001. Current Welfare-to-Work clients are being transitioned into the Workforce Investment Act Adult Program, or into the Work Readiness Component Program of the Department of Public Health and Human Services.

DP 3 - Lease Vehicles - The Executive Budget requests additional federal authority to replace six older department-owned vehicles with leased Motor Pool vehicles, a cost that will be partially offset with corresponding decreases in gas and maintenance expenses.

DP 5 – Research and Analysis Bureau and Operating Increase - A request for increased state and federal authority to add two FTE to the Research and Analysis Bureau (R&A), and meet increases in rental costs and the department's cost allocation plan.

Two modified FTE were funded with federal Department of Labor One-Stop Implementation Grants, and will be used to meet new Workforce Investment Act requirements to 'localize' the labor market information previously reported at the federal level.

Rent increases in the amount of \$108,240 and \$110,375 over the biennium are requested to accommodate R&A staff consolidation in the old Shodair Hospital building.

**LFD  
ISSUE**

This Increase represents an increase of over 50 percent in the rent previously paid by the Job Service Division, due to rental of larger space (to accommodate all staff) and the continued use of vacated space in the Walt Sullivan building by other JSD staff. This request also includes increases for the department's cost allocation plan.

**LFD  
COMMENT**

For more information regarding the indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office/Centralized Services Division.

DP 6 - Federal Funding Change and Cost Allocation Plan Increase - The Executive Budget requests additional authority to adjust federal funding levels as the Trade Adjustment Assistance and Workforce Investment acts are implemented, including a decrease to eliminate a one-time federal One-Stop Implementation Grant from base-year expenditures. Increases include training grants and OJT reimbursements within the Job Service Division Pay Unit; and increases for the department's cost allocation plan.

**LFD  
COMMENT**

For more information regarding the indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office/Centralized Services Division.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				Total Funds
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	
DP 2 - Jobs for Montana Graduates Funding										
01	1.00	275,569	0	0	275,569	1.00	275,721	0	0	275,721
DP 7 - R&A Career Conference										
01	1.00	0	80,000	0	80,000	1.00	0	80,000	0	80,000
<b>Total</b>	<b>2.00</b>	<b>\$275,569</b>	<b>\$80,000</b>	<b>\$0</b>	<b>\$355,569</b>	<b>2.00</b>	<b>\$275,721</b>	<b>\$80,000</b>	<b>\$0</b>	<b>\$355,721</b>

**New Proposals**

DP 2 - Jobs for Montana Graduates Funding - Increased general fund authority is requested for the operation and continued expansion of the Jobs for Montana's Graduates (JMG) Program at a total biennial cost of \$551,290. The Jobs for Montana's Graduates program was established in 1990, and is an affiliate of a national non-profit organization, Jobs for America's Graduates. The 1999 legislature granted one-time-only funding of \$558,746 during the 2001 biennium. This request brings JMG back to that level of funding in support of continued expansion.

**LFD  
ISSUE**

Montana's JMG program is primarily funded through the general fund. Data from the Jobs for America's Graduates Program states that program funding nationally is approximately 25 percent JTPA (now Workforce Investment Act) funds, 40 percent direct state legislature funds, 15 percent other public funds and 10 percent private sector funding. During the 2000-2001 school year, private contributions will provide 23 percent of the program funding. Of that, \$120,000 is provided directly by the Billings School District to contract for JMG services for the Billings schools. The other \$20,000 was received as a one-time donation, with specific instructions that it was to be used for scholarships, and not for program operation.

**LFD ISSUE  
CONTINUED**

JMG received \$5,521 in flow through federal funding from the Billings area labor office for the 1999-2000 school year but that support was not continued.

In effect, there are two issues here:

- 1) Other than the Billings School District operation, JMG is funded almost entirely through the general fund. Other funding sources, such as support from job service centers, may be available. Therefore, should the general fund provide almost 100 percent of the program funding for JMG as requested?
- 2) Can JMG demonstrate increased graduation rates as a program participation outcome? Although Jobs for America's Graduates provides analysis that shows the effectiveness of the program on a national level, no baseline analysis is available to show that Montana's program effectively raises graduation rates or that it improves post-graduation employment rates.

Options:

- 1) Require JMG to fund a portion of their program by obtaining funding from sources other than the general fund.
- 2) Do not continue program expansion until empirical data has been gathered that shows a link between the program and increased graduation rates for at-risk youth.
- 3) Continue to fund the current and expanded JMG Program with general fund.

DP 7 - R&A Career Conference - State special revenue authority of \$80,000 is requested to plan, organize, and host an annual statewide career conference. The conference would be self-sustaining through the contribution of funding from conference participants and conference registration fees. This request includes funding for one FTE who would act as conference coordinator.

## **Proprietary Rates**

### **Program Description**

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use, easy-to-understand format. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. MCIS is currently being used at over 200 sites throughout the state by a wide variety of users: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, education and training agencies, and adult education programs.

### **Revenues and Expenses**

MCIS is funded by user fees for software and licensing, which do not exceed \$1,500 per site. Discounted rates are available for small schools and groups. High schools with enrollments over 200, all post-secondary schools, and all agencies and businesses are charged \$1150 per year. Smaller high schools are charged \$575-977 depending on enrollment, and school districts are charged \$2000 per year. Software for Macintosh computers is an additional \$200, and additional licensing for a middle school, if the high school has MCIS, is \$200 per year.

### **Rate Explanation**

The goal of MCIS management is to cover the operating costs of the program while recovering sufficient revenue to maintain a 60-day working capital balance of \$23,946. This amount has been determined necessary by the department due to timing issues between incurring of expenses and the provision of services/reimbursement from the schools.



**LFD  
ISSUE**

The department requests a 60-day working capital rate. However, it appears to have the flexibility to maintain a sufficient balance using the above mentioned rates which are "not to exceed" \$1,500 per site. Given the flexibility inherent in the proposed rates, the legislature may wish to approve the rates without considering the 60-day working capital balance.

**Report on Internal Service & Enterprise Funds, 2003 Biennium**

Fund Number	Fund Name	Agency Number	Agency Name	Program Name
06051	Montana Career Information System	6602	Department of Labor & Industry	

## Fund Balance Information

	FY96	FY97	FY98	FY99	FY00	Estimated FY01	Estimated FY02	Estimated FY03
Beginning Retained Earnings	16,550	37,308	35,387	(12)	6,377	26,353	26,353	26,353
Increases								
Fee Revenue	134,691	111,213	130,810	132,764	135,686	180,501	143,717	144,570
Investment Earnings	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Miscellaneous, operating	6,787	21,160	22	-	-	-	-	-
Miscellaneous, other	-	-	-	-	-	-	-	-
<b>Total Increases</b>	<b>141,478</b>	<b>132,373</b>	<b>130,832</b>	<b>132,764</b>	<b>135,686</b>	<b>180,501</b>	<b>143,717</b>	<b>144,570</b>
(Decreases)								
Personal Services	63,084	65,262	63,144	72,105	49,671	64,404	80,720	81,683
Operations	57,636	69,032	92,027	50,520	66,048	116,097	62,997	62,887
Transfers Out	-	-	769	3,750	-	-	-	-
Miscellaneous, operating	-	-	-	-	-	-	-	-
Miscellaneous, other	-	-	-	-	-	-	-	-
<b>Total Decreases</b>	<b>120,720</b>	<b>134,294</b>	<b>155,940</b>	<b>126,375</b>	<b>115,719</b>	<b>180,501</b>	<b>143,717</b>	<b>144,570</b>
Adjustments to Beginning Retained Earnings	-	-	(10,291)	-	9	-	-	-
<b>Ending Retained Earnings</b>	<b>37,308</b>	<b>35,387</b>	<b>(12)</b>	<b>6,377</b>	<b>26,353</b>	<b>26,353</b>	<b>26,353</b>	<b>26,353</b>
Total Contributed Capital	-	-	-	-	-	-	-	-
<b>Total Fund Equity</b>	<b>37,308</b>	<b>35,387</b>	<b>(12)</b>	<b>6,377</b>	<b>26,353</b>	<b>26,353</b>	<b>26,353</b>	<b>26,353</b>
Unreserved Fund Balance								
60 Days of Expenses (i.e. total of personnel services, operations, and miscellaneous operating divided by 6)	20,120	22,382	25,862	20,438	19,287	30,084	23,953	24,095

Agency Charges (Provided as Information Only for both types of funds -- i.e. the Internal Service Funds [primary service to agencies within state government] and to Enterprise funds [primary service to outside state government]). If applicable, provide authority for the charge.

The Montana Career Information System (MCIS) is funded by user fees for software and licensing. High schools with enrollments over 200, all postsecondary schools, and all agencies and businesses are charged \$1150 per year. Smaller high schools are charged \$575-977 depending on enrollment, and school districts are charged \$2000 per year. Software for Macintosh computers is an additional \$200, and additional licensing for a middle school, if the high school has MCIS, is \$200 per year.

The inconsistency that appears in the total expenditures in this fund are due to a bi-annual conference hosted by MCIS. The conference was held in FY 1997 and FY 1999. It will be held in FY 2001 and annually after that. The conference is related to the MCIS program, but expenditures and revenues might not be recorded in this enterprise fund in the future. Another event that skewed the expenditures in FY 1998 was the move of Research and Analysis Bureau from the Steamboat Block to the Old Board of Health Building. The combination of moving expenses and the replacement of some furniture during the move forced total expenditures up for FY 1998.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	105.50	4.00	0.00	109.50	4.00	0.00	109.50	109.50
Personal Services	3,815,246	575,465	0	4,390,711	598,349	0	4,413,595	8,804,306
Operating Expenses	1,697,075	635,687	0	2,332,762	699,485	0	2,396,560	4,729,322
Equipment	(23,600)	23,600	0	0	23,600	0	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	3,104	0	0	3,104	0	0	3,104	6,208
<b>Total Costs</b>	<b>\$5,491,825</b>	<b>\$1,234,752</b>	<b>\$0</b>	<b>\$6,726,577</b>	<b>\$1,321,434</b>	<b>\$0</b>	<b>\$6,813,259</b>	<b>\$13,539,836</b>
State/Other Special	285,705	2,948	0	288,653	2,948	0	288,653	577,306
Federal Special	5,206,120	1,231,804	0	6,437,924	1,318,486	0	6,524,606	12,962,530
<b>Total Funds</b>	<b>\$5,491,825</b>	<b>\$1,234,752</b>	<b>\$0</b>	<b>\$6,726,577</b>	<b>\$1,321,434</b>	<b>\$0</b>	<b>\$6,813,259</b>	<b>\$13,539,836</b>

### Program Description

The Unemployment Insurance (UI) Division administers the state unemployment insurance law and related federal programs, which provide temporary, partial wage replacement to involuntarily-unemployed individuals. The UI Division is organized into three bureaus: UI Benefits, UI Program Support, and UI Phone Claims. The UI Contributions Bureau was reorganized by the 1997 legislature under HB 561, which delegated UI tax collection activities to the Department of Revenue. The UI Benefits Bureau receives, processes, and pays UI benefit claims and adjudicates disputed benefit claims. The UI Program Support Bureau manages the benefit Automated Rewrite System (BeAR), the UI insurance, and benefit accounting and payment systems. The UI Phone Claims Bureau has two phone centers (Billings and Helena) through which claimants can file unemployment claims, and where employers can make UI-related inquiries.

### Funding

The UI Division is funded with state special revenue funds, including \$540,000 from the ESA and \$37,000 from Department of Labor Information Exchange funds and federal funds, which are primarily Unemployment Insurance Administrative Grants (\$12.3 million).

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				157,038					180,630
Vacancy Savings				(107,911)					(108,619)
Inflation/Deflation				(37,219)					(35,649)
Fixed Costs				51,352					29,364
<b>Total Statewide Present Law Adjustments</b>				<b>\$63,260</b>					<b>\$65,726</b>
DP 1 - ICON Programmer	1.00	0	0	55,566	1.00	0	0	55,566	55,566
DP 2 - Operating Increases/FTE Requests	3.00	0	2,853	1,113,073	3.00	0	2,853	1,197,289	1,200,142
<b>Total Other Present Law Adjustments</b>	<b>4.00</b>	<b>\$0</b>	<b>\$2,853</b>	<b>\$1,168,639</b>	<b>4.00</b>	<b>\$0</b>	<b>\$2,853</b>	<b>\$1,252,855</b>	<b>\$1,255,708</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$1,234,752</b>					<b>\$1,321,434</b>

### Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - ICON Programmer - Increased federal special revenue authority is requested in order to procure a full-time programmer for the division's Interstate Connection (ICON) automated benefits program. This position is currently a modified FTE, but the proposal would establish the position as permanent. In fiscal 2000, the U.S. Department of Labor began requiring each state to have a full time ICON programmer to program activities associated with the UI Interstate Benefits Program. Authority was established through a budget amendment and will continue as a permanent increase to the UI grants.

DP 2 - Operating Increases/FTE Requests - The Executive Budget includes requests for increased state and federal special revenue authority for the following:

- 1) Convert 3 modified FTE to permanent - \$180,000 each year;
- 2) Purchase replacement computers - \$52,000 each year;
- 3) Accommodate increased federal Contingency and Integrity funding - \$800,000 per year;
- 4) Fund increases to the department's cost allocation plan - \$138,000/\$228,000; and
- 5) Correct a base year accounting error - \$23,600.

Requested FTE are currently stationed with the UI Benefits Bureau, and include a collections technician, UI benefit supervisor, and UI benefit examiner. This portion of the request is for personal services and associated operating costs.

Integrity funds are a special U.S. Dept of Labor Unemployment Insurance allocation designed to preserve the integrity of the UI program. Activities funded by this portion of the request include increased audits, automated cross matches, fraud prevention, and collection. The Executive Budget funds this proposal almost entirely from federal funds.

**LFD  
COMMENT**

For more information regarding the indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office/ Centralized Services Division.

**LFD  
ISSUE**

This request contains a \$52,000 increase for each year of the biennium in support of computer purchases, which amounts to a total of \$86,000 per year when added to base-year expenditures. Currently, the department proposes the replacement of an average of 26 computers each year of the biennium, based on a five-year replacement plan. If the legislature wishes to fund the division's computer replacement plan based on a five-year schedule, the appropriation should be reduced to \$52,000 per year. If the legislature wishes to fund the division based on a four-year schedule, the appropriation should be reduced to \$66,000 per year.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	20.50	0.00	0.00	20.50	0.00	0.00	20.50	20.50
Personal Services	863,365	26,115	0	889,480	32,683	0	896,048	1,785,528
Operating Expenses	299,791	26,577	0	326,368	24,453	0	324,244	650,612
<b>Total Costs</b>	<b>\$1,163,156</b>	<b>\$52,692</b>	<b>\$0</b>	<b>\$1,215,848</b>	<b>\$57,136</b>	<b>\$0</b>	<b>\$1,220,292</b>	<b>\$2,436,140</b>
General Fund	133,561	32,726	0	166,287	33,168	0	166,729	333,016
State/Other Special	552,457	(9,152)	0	543,305	(7,213)	0	545,244	1,088,549
Federal Special	437,167	15,915	0	453,082	17,696	0	454,863	907,945
Proprietary	39,971	13,203	0	53,174	13,485	0	53,456	106,630
<b>Total Funds</b>	<b>\$1,163,156</b>	<b>\$52,692</b>	<b>\$0</b>	<b>\$1,215,848</b>	<b>\$57,136</b>	<b>\$0</b>	<b>\$1,220,292</b>	<b>\$2,436,140</b>

### Program Description

The Commissioner's Office and the Legal and Centralized Services Division provide program direction, legal, administrative, and support services to the department. Legal and Centralized Services provide the central support functions of the department through seven bureaus: Accounting; Information Services; Budget; Personnel and Training; Hearings; and Legal Services. A three-member Board of Labor Appeals is administratively attached; , this board hears appeals concerning the administration of Montana unemployment insurance laws and employer/employee relationships.

### Funding

The division's operations are funded with general fund, state special revenue from the Employment Security and Workers' Compensation Regulation accounts, federal Labor and Industry funds, and proprietary funds from the department's internal cost allocation plan. (For further discussion of the department's internal cost allocation plan, refer to the proprietary rates discussion at the end of this section.) General fund pays expenses associated with CSD support to the Human Right Bureau in the Employment Relations Division.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				44,676					51,448
Vacancy Savings				(25,011)					(25,215)
Inflation/Deflation				349					1,239
Fixed Costs				11,216					8,204
<b>Total Statewide Present Law Adjustments</b>				<b>\$31,230</b>					<b>\$35,676</b>
DP 1 - Human Rights Workload									
0.00	5,498	0	0	5,498	0.00	5,498	0	0	5,498
DP 2 - BOLA per diem and miscellaneous operating costs									
0.00	1,451	2,903	9,352	15,964 *	0.00	1,451	2,903	9,352	15,962 *
DP 3 - CSD's Operating Plan change									
0.00	0	0	0	0	0.00	0	0	0	0
<b>Total Other Present Law Adjustments</b>									
0.00	<b>\$6,949</b>	<b>\$2,903</b>	<b>\$9,352</b>	<b>\$21,462</b>	0.00	<b>\$6,949</b>	<b>\$2,903</b>	<b>\$9,352</b>	<b>\$21,460</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$52,692</b>					<b>\$57,136</b>

### Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Human Rights Workload - The department requests a general fund increase of \$5,498 in each year of the biennium in order to maintain current level of support for the workload associated with the Human Rights Act. This request also includes increases for the department's cost allocation plan. (For more information regarding the indirect costs charged to each program, refer to the discussion on rates contained in the program narrative at the end of this section.)

DP 2 - Board of Labor Appeals Per Diem and Miscellaneous Operating Costs - The department requests increases to support operations of the Board of Labor Appeals (BOLA). Increases include per diem for board members and the board's share of the department's cost allocation plan increases. Section 2-15-124, MCA requires the Department to pay the three BOLA members \$50 per day for each day engaged in Board duties.

**LFD  
COMMENT**

The per diem request equals the same level of expenditure the department incurred during the base year. However, because this expenditure code is in the personal services area (1300), it is not automatically added to the base and must be requested in its entirety as a present law adjustment.

DP 3 - CSD's Operating Plan change - This adjustment removes \$14,090 in one-time-only expenditures each year from the department's budgeted proprietary fund expenditures.

## Proprietary Rates

### Program Description

The Commissioner's Office and the Legal and Centralized Services Division provide program direction, legal, administrative, and support services to the department. Legal and Centralized Services provide central support functions for the department through seven bureaus: Accounting; Information Services; Budget; Personnel and Training; Hearings; and Legal Services. The three-member Board of Labor Appeals is administratively attached; this board hears appeals concerning the administration of Montana unemployment insurance laws and employer/employee relationships.

### Revenues and Expenses

The Commissioner's Office and the Legal/Centralized Services Division are funded through a cost allocation plan under which the various divisions in the agency are assessed a percentage of personal services costs in support of providing centralized functions. The Commissioner's Office/Centralized Services Division recovers the costs of the Input/Output control Operations Function, which provides traffic control of data input, jobs for the mainframe computer system, and report output.

Sixty days of personal services, operations, and miscellaneous operating expenses less non-cash expenses equals approximately \$316,383.00. This figure is the minimum amount determined necessary by the department to maintain on-going operations. The Working Capital balance is used in calculating the final CAP rate.

### Rate Explanation

The department proposes the following language for its rate:

### Cost Allocation Plan (CAP)

It is the intent of the legislature that the rates charged for these functions have been agreed upon by the United State Department of Labor Federal Cost Negotiator. It is anticipated that the assessment will be approximately 9 percent, and 10 percent of a program's actual personal services costs incurred in fiscal year 2002 and fiscal year 2003.

### Input/Output Control Operation Functions

Internal users are charged directly for services received and are billed quarterly.

## Report on Internal Service &amp; Enterprise Funds, 2003 Biennium

Fund Number	Fund Name	Agency Number	Agency Name	Program Name
06546 / 06547 / 06562 / 06551	Commissioner's Office/ CSD / Dir Charge / Rent / Spec Proj	6602	Department of Labor & Industry	

## Fund Balance Information

	FY96	FY97	FY98	FY99	FY00	Estimated FY01	Estimated FY02	Estimated FY03
Beginning Retained Earnings	441,681	406,194	448,158	343,935	347,425	423,178	423,178	423,178
Increases								
Fee Revenue	560,719	727,189	756,952	825,794	930,318	1,804,449	1,880,742	1,890,570
Investment Earnings	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Miscellaneous, operating	37,547	35,679	14,805	9,424	918,705	-	-	-
Miscellaneous, other	950,002	977,115	856,803	859,868	316	-	-	-
<b>Total Increases</b>	<b>1,548,268</b>	<b>1,739,983</b>	<b>1,628,560</b>	<b>1,695,086</b>	<b>1,849,339</b>	<b>1,804,449</b>	<b>1,880,742</b>	<b>1,890,570</b>
(Decreases)								
Personal Services	1,249,572	1,333,326	1,215,055	1,303,700	1,181,440	1,361,038	1,373,211	1,379,432
Operations	351,865	369,503	419,036	389,111	504,350	443,411	507,531	511,138
Transfers Out	-	-	-	-	-	-	-	-
Miscellaneous, operating	-	-	-	-	-	-	-	-
Miscellaneous, other	1,409	-	687	-	-	-	-	-
<b>Total Decreases</b>	<b>1,602,846</b>	<b>1,702,829</b>	<b>1,634,778</b>	<b>1,692,811</b>	<b>1,685,790</b>	<b>1,804,449</b>	<b>1,880,742</b>	<b>1,890,570</b>
Adjustments to Beginning Retained Earnings	19,091	4,810	(98,005)	1,215	(87,795)	-	-	-
<b>Ending Retained Earnings</b>	<b>406,194</b>	<b>448,158</b>	<b>343,935</b>	<b>347,425</b>	<b>423,178</b>	<b>423,178</b>	<b>423,178</b>	<b>423,178</b>
Total Contributed Capital	24,357	33,295	10,947	10,947	10,947	10,947	10,947	10,947
<b>Total Fund Equity</b>	<b>430,551</b>	<b>481,453</b>	<b>354,882</b>	<b>358,372</b>	<b>434,125</b>	<b>434,125</b>	<b>434,125</b>	<b>434,125</b>
Unreserved Fund Balance								
60 Days of Expenses (i.e. total of personnel services, operations, and miscellaneous operating divided by 6)	266,906	283,805	272,349	282,135	280,965	300,742	313,457	315,095

## Fee/Rate Information for Legislative Action:

	-----Estimated-----							
Requested Rates for Internal Service Funds	6.75%	7.64%	7.73%	8.65%	9.60%	9.56%	9.44%	10.14%

Agency Charges (Provided as Information Only for both types of funds -- i.e. the Internal Service Funds [primary service to agencies within state government] and to Enterprise funds [primary service to outside state government]). If applicable, provide authority for the charge.

- Cost allocation plan (CAP) charges are for the centralized functions such as CSD administration, accounting, budgeting, technical services, personnel and training, legal services, and commissioner's office.

The CAP rate is determined by dividing projected personal service expenditures on FTE not supported by CAP revenue by the projected revenue needed to perform centralized services required for the agency.

- Direct charges are for services that are easily identifiable and charged directly to the beneficiary of the service. Direct charges are estimated during the budget submission process, and actual costs incurred are charges to the appropriate division/bureau.

One of the two direct charge items is the charge by Technical Services Bureau to capture and print data from the mainframe for Unemployment Insurance Division and Job Service Division. Costs are estimated during budget submission and based upon prior years' actual costs.

The other direct charge is charged by Legal Services Bureau to Job Service Division for services that are specific and agreed to in advance.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	115.75	5.00	0.00	120.75	5.00	0.00	120.75	120.75
Personal Services	3,830,270	744,020	0	4,574,290	771,114	0	4,601,384	9,175,674
Operating Expenses	2,585,937	(173,120)	0	2,412,817	(178,784)	0	2,407,153	4,819,970
Equipment	90,271	(235)	0	90,036	(235)	0	90,036	180,072
Benefits & Claims	378,087	0	0	378,087	0	0	378,087	756,174
Debt Service	6	0	0	6	0	0	6	12
<b>Total Costs</b>	<b>\$6,884,571</b>	<b>\$570,665</b>	<b>\$0</b>	<b>\$7,455,236</b>	<b>\$592,095</b>	<b>\$0</b>	<b>\$7,476,666</b>	<b>\$14,931,902</b>
General Fund	757,305	168,373	0	925,678	170,102	0	927,407	1,853,085
State/Other Special	5,715,686	157,440	0	5,873,126	176,441	0	5,892,127	11,765,253
Federal Special	411,580	244,852	0	656,432	245,552	0	657,132	1,313,564
Proprietary	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$6,884,571</b>	<b>\$570,665</b>	<b>\$0</b>	<b>\$7,455,236</b>	<b>\$592,095</b>	<b>\$0</b>	<b>\$7,476,666</b>	<b>\$14,931,902</b>

### Program Description

The Employment Relations Division (ERD) consists of the following bureaus and programs:

- 1) Workers' Compensation (WC) Regulation, which regulates WC insurance coverage requirements, policy compliance, medical regulations, and cost containment, and the WC Claims Assistance Bureau, which assists organizations and individuals to arrive at early, less expensive settlements of their disputes;
- 2) The Labor Standards Bureau, which enforces state and federal labor laws related to the payment of wages, and provides collective bargaining mediation;
- 3) The Safety Bureau, which administers federal and state industrial safety laws;
- 4) The Human Rights Bureau, which enforces the Montana Human Rights Act and the Governmental Code of Fair Practices through investigations, conciliations, hearings, and education. This Bureau is responsible for enforcing laws that prohibit discrimination in employment, housing, public accommodations, financing and credit transactions, insurance, education, and government services;
- 5) Contractor Registration and Independent Contractor Exemption programs, which register contractors; and
- 6) The Board of Personnel Appeals, which deals with issues related to wages and hours, and collective bargaining disputes between employers and employees. This Board is administratively attached to the division.

### Funding

The ERD is funded with state special revenues from the Workers' Compensation Regulation Fund, Employment Security Act (ESA), in combination with fees paid for the Independent Contractor Exemption and Contractors' Registration programs. Funds from the subsequent injury and the uninsured employers' fund support benefits to these injured workers, and provide partial funding support for administrative functions. The general fund supports a portion of the Human Rights Bureau, the Silicosis and Social Security Benefits programs. Federal support is derived from coal mine safety, on-site consultation, Unemployment Insurance grants, and Equal Employment Opportunity funds. Table 1 lists the major funding sources and the programs funded by each account.

Table 1  
Employment Relations Division  
Main Funding Sources and Programs

Fund	Description	2002-2003	Main Programs Funded
		Request	
01100	General Fund	\$1,853,085	Human Rights Bureau, Silicosis, and Social Security Offset Benefit programs
02091	Independent Contractors Exemption	406,517	Independent Contractor Exemption Processing and IC Central Unit (ICCU)
			Operating Costs
02236	Industrial Accident Rehabilitation	307,964	Retraining Benefits for Injured Workers
02258	Employment Security Account	1,606,658	Labor Standards Bureau, Administrative, Operating Costs
02455	Workers' Comp Regulation	7,122,609	Workers' Compensation Regulation and Claims Assistance Bureaus, Administrative, Operating Costs
02941	Uninsured Employer Fund	1,943,161	Administrative costs and Benefit payments to injured workers and ICCU
03130	Coal Mine Safety	310,498	Coal Mine Safety Program
03195	On-site Consultation	761,566	On-site safety consultations

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					694,879					722,244
Vacancy Savings					(123,223)					(124,044)
Inflation/Deflation					363					4,496
Fixed Costs					96,629					90,824
Total Statewide Present Law Adjustments					\$668,648					\$693,520
DP 1 - Human Rights Workload	1.00	107,362	(64,666)	0	42,696	1.00	107,970	(65,082)	0	42,888
DP 2 - ERD FTE Requests	4.00	0	108,787	84,600	193,387	4.00	0	103,269	84,600	187,869
DP 3 - Adjust Operating Costs	0.00	6,000	(356,072)	16,006	(334,066)	0.00	6,000	(354,188)	16,006	(332,182)
Total Other Present Law Adjustments										
	5.00	\$113,362	(\$311,951)	\$100,606	(\$97,983)	5.00	\$113,970	(\$316,001)	\$100,606	(\$101,425)
Grand Total All Present Law Adjustments					\$570,665					\$592,095

### Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Human Rights Workload - The Executive Budget includes a request for a general fund increase for personal services and associated operating costs with which to convert a modified FTE position in the Human Rights Bureau to permanent status. This position was added as one-time-only by the 1999 legislature, and the department seeks to add it to the base. This proposal would move \$64,666 in fiscal 2002 and \$65,082 in fiscal 2003 from the Workers' Compensation Regulation Fund to the general fund. This request also includes increases for the department's cost allocation plan.

#### LFD COMMENT

For more information regarding the indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office/Centralized Services Division.



**LFD  
COMMENT**

This proposal includes an adjustment that increases support from the general fund and reduces state special revenue funding by a like amount, for an overall general fund increase of over \$100,000 each year.

State budget standards include the requirements that: 1) all one-time-only funding be removed from the base budget during budget formulation, and 2) all permanent FTE be fully funded in the Executive Budget proposal. The funding in fiscal 2000 and 2001 was a one-time-only general fund appropriation tied to permanent FTE. Due to the removal of the one-time-only general fund appropriation, the Executive Budget funds the position by using state special revenue that will not be available during the 2003 biennium. This proposal replaces the state special revenue with general fund, and makes the funding consistent with the fiscal 2000 appropriation.

**LFD  
COMMENT**

The 1997 legislature passed SB 350, which transferred the Human Rights Commission to the Department of Labor and Industry, and mandated casework, investigation, and hearings timelines. Case processing time (the time between case filing and a decision of merit/no merit) was reduced to a mandated 180 days. Additionally, the legislature reduced authorized FTE from 16 to 14.5. Three FTE were designated as one-time-only, to be reconsidered in subsequent biennia as the reorganization and process changes took effect. The 1999 legislature restored 2 FTE to the permanent base, but designated one FTE and \$148,905 in FY 2000 and \$148,780 in FY 2001 as one-time-only expenditures, ensuring another review by the Fifty-seventh Legislature. This proposal would restore the remaining modified grade eight one-time-only position and its funding to the base, along with increased operating costs for this and other positions held within the Human Rights Bureau.

Table 2 provides further detail on the Human Rights workload as well as case statistics, including a comparison of cases decided on merit (cases that made it beyond the initial review process). Some fluctuation through the years is expected, as many cases cross fiscal years (i.e., a case may be filed in one year and closed in the next). Cases that travel all available avenues may take over a full calendar year before gaining closure. From the graph, it can be seen that the percentage of cases decided on merit compared to the number of cases filed has risen from 68 to 90 percent. The Bureau attributes this to the use of professional investigators who conduct initial intake interviews. This has reduced the number of non-supported cases that are administratively closed without formal investigation. The end result is a supported caseload that has not differed as greatly as the 'cases filed' statistic might suggest. The Bureau does not have a specific goal relative to the number of open cases at year-end, other than the preference of maintaining a 6-month inventory of cases. The department has projected that the number of cases filed will remain constant or show a slight increase. Outreach and education efforts decrease the occurrence of new events, but increase the public's level of knowledge of rights and responsibilities.

Table 2  
Human Rights Bureau  
Statistics FY1997 - FY 2000

	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000
FTE authorized	16	15	14.5	14.5
Cases filed during year	496	327	375	357
Cases closed during year	581	555	520	411
Cases open at end of year	632	407	263	215
Case processing time (average)	448	132*	132*	132*
Cases decided on merit				
Fiscal 1996:	340			
Fiscal 2000:	321			

\* Note: Fiscal 1998-2000 case processing time is based on a three-year average of cases filed after SB 350 implementation

**LFD  
ISSUE**

In evaluating this proposal, the legislature is addressing this policy issue: What is the appropriate level of staffing for the Human Rights Bureau, in light of the current and projected caseload and case processing time?

With 14.5 FTE (12.0 FTE in the Human Rights Bureau, 2.5 FTE in the Legal Services Bureau), case processing time has been reduced by 70 percent, while the number of cases decided on merit has remained fairly constant. The current average case-processing time (cases filed after SB 350, based on a three-year average) is 132 days. Therefore, the department does have some flexibility through which it could increase processing time, yet stay within statutory guidelines.

The number of open cases has been reduced by 66 percent since fiscal 1997, which significantly reduces the backlog the bureau must address each year. The department has accomplished this while maintaining 14.5 FTE since fiscal 1998. Table 2 shows the Human Rights Bureau is still closing more cases per year than are filed. Based on fiscal 2000 statistics, it appears that 13.5 FTE would be able to close 382 cases per year, which is still greater than the number of cases filed in fiscal 2000. It should be noted the Human Rights Bureau has projected that approximately 390 cases will be filed in fiscal 2001.

Based on this analysis, the legislature may wish to consider the following options:

- 1) Assuming a base workload of approximately 360 filed cases per year and current average case processing times, disapprove the request and direct the department to operate within statutory timelines using 13.5 FTE.
- 2) Approve the request to maintain current FTE staffing, but designate the remaining 1.0 FTE as one-time-only and review the caseload and case-processing time again during the 2003 legislative session.
- 3) Approve the request, and permanently establish Human Rights Bureau staffing at 14.5 FTE.

DP 2 - ERD FTE Requests - The Executive Budget includes requests for additional state and federal special revenue authority to add 4.0 FTE to the division. The positions requested include two on-site consultants for the Safety On-site Consultation program, a grade 14 administrator to address the increased workload involved in licensing and monitoring professional employer organizations, and a grade 14 administrator to review applications and perform reviews of applicants to the Individual Contractor Exemption Program. This request also includes increases for the department's cost allocation plan. The Executive Budget funds this increase with state special revenue from Workers' Compensation Regulation and Independent Contractor Exemption funds, as well as federal On-site Consultation funds.

**LFD  
COMMENT**

For more information regarding the indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office/Centralized Services Division.

DP 3 - Adjust Operating Costs - This request contains increases and decreases to operating expense categories for the Employment Relations Division. Increases include: \$11,550 each year for per diem expenses associated with the Board of Personnel Appeals and the Human Rights Commission; a net increase of \$25,756 over the biennium to replace 4 agency-owned vehicles with leased vehicles; and an increase of \$167,432 over the biennium for consulting services for actuarial analysis of workers' compensation data. Decreases include expenses incurred in the base year that were non-recurring in nature. This proposal includes an overall general fund increase of \$12,000 over the biennium. This request also includes increases for the department's cost allocation plan.

**LFD  
COMMENT**

For more information regarding the indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office/Centralized Services Division.

**LFD  
ISSUE**

The proposal to contract for actuarial analysis of workers' compensation data is a new approach to the analysis. The department is statutorily mandated in 39-71-225, MCA to establish and maintain a database of workers' compensation data. The database came on-line in 1995. Through fiscal 2001, the focus has been on displaying collected data. However, the department now has six years' of data collected. This proposal would fund on-going, in-depth analysis of the data starting in the 2003 biennium. There is currently no baseline data provided or benefits from the analysis delineated. If the legislature wishes to evaluate the resulting analysis before approving the process of an on-going analysis, the appropriation should be designated restricted, one-time-only. In addition, the legislature may wish to require the department to report to the 2003 legislature on analysis results, benefits, and uses.

**LFD  
ISSUE**

HB2, as passed by the Fifty-sixth Legislature, contained Section 7, which read "Personal services line item. Funds appropriated for personal services or indicated in legislative intent, as having been appropriated for personal services may not be expended under any other category except for contract services (expenditure object 2102 or its successor), when the amount of the contract services transferred will be used to directly substitute for use of personal services. Any transfer of funds from personal services to contract services must be reported in writing to the legislative finance committee (LFC). The provisions of this section do not apply to the Montana university system."

During fiscal 2000, the agency overspent their appropriated operating expenses budget by \$554,149, effectively transferring \$347,465 from personal services to contract services without coordination through the LFC, and \$92,734 from personal services to operating expenses other than contract services, in direct violation of HB2, Section 7. This proposal includes a decrease of \$429,339 in fiscal 2002 and \$435,371 in fiscal 2003 to adjust the base for the transferred authority.

**Proprietary Rates****Program Description**

The Subsequent Injury Fund was established in 1973 to assist persons with disabilities to becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing Workers' Compensation expenses.

**Rate Explanation**

Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self-insured employers, private insurers, and State Fund. The assessment is statutorily set (Title 39-71-915, MCA) at the amount expended by the fund for benefit payments plus the cost of administration in the previous calendar year, less other income. The assessment is allocated among insurers based on their compensation and medical payments for the previous calendar year. The fund balance is maintained at approximately \$1,000,000 to provide an operating balance for payment of benefits and administrative costs.

## Report on Internal Service &amp; Enterprise Funds, 2003 Biennium

Fund Number	Fund Name	Agency Number	Agency Name	Program Name
06040 / 06041	Subsequent Injury Trust Fund and Administration	6602	Department of Labor and Industry	

## Fund Balance Information

	FY96	FY97	FY98	FY99	FY00	Estimated FY01	Estimated FY02	Estimated FY03
Beginning Retained Earnings	3,301,902	3,914,998	3,927,861	1,003,827	(128,160)	(287,262)	(228,162)	(228,162)
Increases								
Fee Revenue	649,722	603,148	36,599	145,581	640	158,468	99,368	99,368
Investment Earnings	314,445	475,815	178,021	79,731	74,204	74,204	74,204	74,204
Transfers In	-	-	-	-	-	-	-	-
Miscellaneous, operating	-	5,000	6,000	-	-	-	-	-
Miscellaneous, other	-	-	-	-	-	-	-	-
<b>Total Increases</b>	<b>964,167</b>	<b>1,083,963</b>	<b>220,620</b>	<b>225,312</b>	<b>74,844</b>	<b>232,672</b>	<b>173,572</b>	<b>173,572</b>
(Decreases)								
Personal Services	14,431	12,955	17,173	16,144	-	-	-	-
Operations	336,640	408,521	108,000	1,327,594	232,672	173,572	173,572	173,572
Transfers Out	-	-	-	-	-	-	-	-
Miscellaneous, operating	-	149,624	33,654	13,561	-	-	-	-
Miscellaneous, other	-	-	-	-	-	-	-	-
<b>Total Decreases</b>	<b>351,071</b>	<b>571,100</b>	<b>158,827</b>	<b>1,357,299</b>	<b>232,672</b>	<b>173,572</b>	<b>173,572</b>	<b>173,572</b>
Adjustments to Beginning Retained Earnings	-	(500,000)	(2,985,827)	-	(1,274)	-	-	-
<b>Ending Retained Earnings</b>	<b>3,914,998</b>	<b>3,927,861</b>	<b>1,003,827</b>	<b>(128,160)</b>	<b>(287,262)</b>	<b>(228,162)</b>	<b>(228,162)</b>	<b>(228,162)</b>
Total Contributed Capital	-	-	-	-	-	-	-	-
<b>Total Fund Equity</b>	<b>3,914,998</b>	<b>3,927,861</b>	<b>1,003,827</b>	<b>(128,160)</b>	<b>(287,262)</b>	<b>(228,162)</b>	<b>(228,162)</b>	<b>(228,162)</b>
Unreserved Fund Balance								
60 Days of Expenses (i.e. total of personnel services, operations, and miscellaneous operating divided by 6)	58,512	95,183	26,471	226,217	38,779	28,929	28,929	28,929

Agency Charges (Provided as Information Only for both types of funds -- i.e. the Internal Service Funds [primary service to agencies within state government] and to Enterprise funds [primary service to outside state government]). If applicable, provide authority for the charge.

The SIF is authorized to assess insurers benefits paid losses reimbursed from the fund in the preceding calendar year and the expenses of administration less other income (39-71-915, MCA).

In FY 1998, the SIF ceased operating on a reserve basis and began to pay benefits on a "pay-as-you-go" basis. Subsequently, the retained earnings of the fund were distributed back to the insurance companies that had contributed to the fund. This was a one time transfer to reduce the retained earnings balance to an operating level adequate to temporarily pay claims that are reimbursed by the insurance companies. (See SB 375, L. 1997, for further explanation)

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	3.00	2.00	0.00	5.00	2.00	0.00	5.00	5.00
Personal Services	134,128	36,218	0	170,346	37,808	0	171,936	342,282
Operating Expenses	182,945	72,489	0	255,434	71,824	0	254,769	510,203
Grants	1,552,195	1,119,000	0	2,671,195	1,119,000	0	2,671,195	5,342,390
<b>Total Costs</b>	<b>\$1,869,268</b>	<b>\$1,227,707</b>	<b>\$0</b>	<b>\$3,096,975</b>	<b>\$1,228,632</b>	<b>\$0</b>	<b>\$3,097,900</b>	<b>\$6,194,875</b>
General Fund	24,895	75,000	0	99,895	75,000	0	99,895	199,790
State/Other Special	4,999	23,192	0	28,191	23,201	0	28,200	56,391
Federal Special	1,839,374	1,129,515	0	2,968,889	1,130,431	0	2,969,805	5,938,694
<b>Total Funds</b>	<b>\$1,869,268</b>	<b>\$1,227,707</b>	<b>\$0</b>	<b>\$3,096,975</b>	<b>\$1,228,632</b>	<b>\$0</b>	<b>\$3,097,900</b>	<b>\$6,194,875</b>

### Program Description

Montana Community Services (MCS) provides administration of federal Corporation for Nation Service programs (AmeriCorps, Learn and Serve America, and National Senior Service Corps), as well as community service and volunteer efforts statewide, including the Volunteer Montana program.

### Funding

Federal funds provide 98 percent of the funding for the MCS Program with the remainder coming from general fund and state special revenues. State special revenues came entirely from donations in fiscal 2000. General fund and state special revenues are used to provide a portion of the state match for the program administration grant.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				(9,959)					(8,488)	
Vacancy Savings				(3,406)					(3,451)	
Inflation/Deflation				210					441	
Fixed Costs				7,433					6,537	
<b>Total Statewide Present Law Adjustments</b>				<b>(\$5,722)</b>					<b>(\$4,961)</b>	
DP 1 - Administrative Funding										
2.00	75,000	23,200	1,135,229	1,233,429	2.00	75,000	23,200	1,135,393	1,233,593	
<b>Total Other Present Law Adjustments</b>										
2.00	<b>\$75,000</b>	<b>\$23,200</b>	<b>\$1,135,229</b>	<b>\$1,233,429</b>	2.00	<b>\$75,000</b>	<b>\$23,200</b>	<b>\$1,135,393</b>	<b>\$1,233,593</b>	
<b>Grand Total All Present Law Adjustments</b>				<b>\$1,227,707</b>					<b>\$1,228,632</b>	

### Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Administrative Funding - The Executive Budget requests an increase in general fund and state and federal special revenues to meet increased administrative and program grants. This request also includes increases for the department's cost allocation plan. The proposal would fund \$75,000 of the increase with general fund each year of the biennium.

**LFD  
COMMENT**

For more information regarding the indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office/Centralized Services Division.

**LFD  
ISSUE**

The 1999 legislature funded MCS with \$24,895 from the general fund for each year of the biennium. The proposed change would increase general fund support by over 300% for each year of the biennium, and would increase the general fund share of the state match for the program administration grant. The state match requirement in fiscal 2000 was \$137,745, which was funded by \$24,896 in general fund, \$4,999 in state special revenues from donations to the program, and \$107,850 in private donations, in-kind and cash. Private cash donations were predominantly private investments in the Montana's Promise Program. In-kind donations meet the requirements for the state match but do not always contribute towards administrative funding. The proposed general fund increase would directly increase the amount of administrative funding available to the division.

In fiscal 2000, administrative expenses amounted to 17 percent of the cost of the program. The Executive Budget proposal raises support for administrative expenses by over \$100,000 per year, but the anticipated increase in federal funding lowers the administrative cost percentage to 14 percent overall. The proposed increase is based in part on a department goal of \$100,000 in general fund support for the program. Information from two neighboring states are presented for comparison:

?? Wyoming - In fiscal 2000, it is estimated that state general fund provided approximately \$30,000, or 10 percent of the overall program.

?? Utah - In fiscal 2000, state general fund provided \$92,100, or 3 percent of the overall program.

The request for a general fund increase presents three issues:

- 1) What is an appropriate level for the administrative expenses of MCS?
- 2) Should general fund support MCS? and
- 3) If so, what is the appropriate amount of that support?

The legislature may wish to consider the following options:

- 1) Continue to fund MCS with approximately \$25,000 in general fund, with the remainder coming from state special revenues and in-kind donations.
- 2) Increase support from the general fund to a total of \$100,000 each year.
- 3) Replace all general fund support with state special revenues and in-kind donations.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	6.00	0.00	0.00	6.00	0.00	0.00	6.00	6.00
Personal Services	297,569	2,877	0	300,446	4,099	0	301,668	602,114
Operating Expenses	98,804	28,561	0	127,365	32,287	0	131,091	258,456
<b>Total Costs</b>	<b>\$396,373</b>	<b>\$31,438</b>	<b>\$0</b>	<b>\$427,811</b>	<b>\$36,386</b>	<b>\$0</b>	<b>\$432,759</b>	<b>\$860,570</b>
State/Other Special	396,373	31,438	0	427,811	36,386	0	432,759	860,570
<b>Total Funds</b>	<b>\$396,373</b>	<b>\$31,438</b>	<b>\$0</b>	<b>\$427,811</b>	<b>\$36,386</b>	<b>\$0</b>	<b>\$432,759</b>	<b>\$860,570</b>

### Program Description

The Workers' Compensation Court provides a forum for Montana employees and the insurance industry to resolve disputes arising from work-related injuries and occupational disease. The court is attached to the department for administrative purposes.

### Funding

This program is funded entirely with state special revenues (Workers' Compensation Regulation) from assessments on employers, insurers and the state fund.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				11,512						12,774
Vacancy Savings				(8,635)						(8,675)
Inflation/Deflation				352						584
Fixed Costs				630						(554)
<b>Total Statewide Present Law Adjustments</b>				<b>\$3,859</b>						<b>\$4,129</b>
DP 1 - Increased Operating Expenses	0.00	0	27,579	0	27,579	0.00	0	32,257	0	32,257
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$27,579</b>	<b>\$0</b>	<b>\$27,579</b>	<b>0.00</b>	<b>\$0</b>	<b>\$32,257</b>	<b>\$0</b>	<b>\$32,257</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$31,438</b>						<b>\$36,386</b>

### Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Increased Operating Expenses - The Executive Budget includes requests for an increase in state special revenue authority for increased operating expenses across the biennium. The request covers:

- ?? increases in the cost of rent (approximately \$7,000 each year);
- ?? funding for the Workers' Compensation Judge to attend the National Judicial College (approximately \$2,600 in fiscal 2000); and
- ?? increased travel costs and usage of court reporters for the projected maximum number of cases, as based on the caseload increases documented from fiscal 1997 to fiscal 2000 (approximately \$9,000 each year).

This request also includes increases for the department's cost allocation plan (\$9,364 in fiscal 2002, and \$16,074 in fiscal 2003). The department proposes funding this increase entirely from the Workers' Compensation Regulation Fund.

**LFD  
COMMENT**

For more information regarding the indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office/Centralized Services Division.